

VZCZCXRO1893
PP RUEHIK RUEHPOD RUEHPW RUEHYG
DE RUEHBUL #3183/01 3441319
ZNR UUUUU ZZH
P 091319Z DEC 08
FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 6371
INFO RUEATRS/DEPT OF TREASURY WASH DC
RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEKJCS/OSD WASHINGTON DC
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
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RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 4450

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DEPT PASS AID/ANE
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SUBJECT: AFGHANISTAN: WHAT'S REQUIRED TO MAKE ALTERNATIVE LIVELIHOOD PROGRAMS SUCCEED?

Summary

11. (SBU) Alternative livelihood programs are a key item in the counter-narcotics toolbox, but no one would contend that they are easy or always successful. Even in purely economic terms, poppy has some advantages that licit alternative crops do not enjoy. This message analyzes those advantages and seeks to identify the circumstances under which alternative livelihood programs can succeed in overcoming them. We find that political will, especially the commitment of provincial governors, is an essential supporting factor for alternative development (AD) programs and sine qua non for eliminating poppy. Successful governor-led campaigns in Balkh, Badakhshan, and especially Nangarhar in 2007-2008 show what can be accomplished when the reach of the government is expanded into the provinces. In addition, success requires the development of adequate infrastructure, both physical and financial, to make growing cash crops other than poppy the wise choice for Afghan farmers. Security may be the Achilles heel that can doom AD programs even when good governance and other supportive pieces are in place. Coalition members, NGOs, the Afghan government, the UN -- all agree that without security, AD programs stand little chance of success. End Summary.

Poppy is a Commodity

12. (SBU) Any effort to persuade Afghan farmers to grow licit alternatives has to contend with the economic advantages of the competition. Poppy is a lucrative cash crop. Although the UNODC reports that in 2007-08 the ratio of gross income from a hectare of opium to that from a hectare of wheat declined from almost ten in 2007 to less than three this year, the staying power of this trend is questionable. Recent price increases of onions and pomegranates also notwithstanding, legitimate crops rarely match the profitability and the convenience of poppy.

13. (SBU) The opium business is a "model" of success. It has vertically integrated itself along the entire value chain within Afghanistan and has a well-developed international transportation and distribution network able to avoid many of the constraints confronting licit alternatives, such as delays at borders and other bureaucratic hindrances to trade in the region. We see more and more seizures in Afghanistan of precursor chemicals and other materials for turning poppy into opium and heroin. In addition, poppy farmers benefit from easy credit, seed, and even insurance that opium brokers provide. With production up and prices down in recent years, isolated reports of the Taliban forbidding poppy production or hoarding supply in some areas - to exert an OPEC-like control on prices - further demonstrate that opium, like grapes and wool, respects the basic tenets of any commodity market.

Economic Development Challenges . . .

14. (SBU) Unfortunately, there are also significant challenges to bringing robust alternative livelihood programs online. Facilities for collection and preservation of fresh produce require some form of cold storage. Cold storage can be run - expensively and inefficiently - on diesel fuel, but making this economically viable requires both sufficiently high prices for commodities and reliable quality and availability of product to maximize and maintain profits. Only reliable electricity generation and distribution can make commercial cold storage profitable, and this commodity is still rare in most of Afghanistan.

15. (SBU) Official and unofficial hurdles at the borders also raise costs for Afghan exporters of licit farm goods and represent critical obstacles to sustainable and long-term growth of regional

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trade. Roads that link internal and external markets therefore are a critical component in alternative livelihoods. Donors have built hundreds of kilometers of farm-market roads, as well as thousands of kilometers of irrigation works and flood-control dams and canals, but more needs to be done.

. . . And Models for Progress?

16. (SBU) Aid agencies and the GIROA have learned much about poppy's built-in advantages and other challenges and are designing alternative livelihood programs accordingly. USAID's contract farming program steals a page from the opium brokers. The program's provision of seed, credit, and guaranteeing a market for the produce goes a long way toward providing a real alternative to either growing poppy or starving.

17. (SBU) In Helmand province, the world's leader in poppy production, Governor Gulbuddin Mangal's roughly USD \$10 million "food zones" project is attempting to open an in-road into poppy country by combining alternative livelihoods with improved security and governance. Mangal, with support from PRT Helmand and the Embassy, is targeting a 100-square-mile zone near Lashkar Gah in three phases. It is a good example of a "carrot and stick" approach.

18. (SBU) First a governor-led public information campaign used local shuras to enroll farmers in a program to provide seed/fertilizer for wheat and fodder cultivation. Village elders and farmers have signed no-poppy pledges. Breaking the pledge will make their fields, along with any other poppy fields in these areas, liable to eradication. Second, in early October, the governor's officials distributed seed and fertilizer (or vouchers for them), renewing the no-poppy pledges from recipients.

19. (SBU) Finally, in January through March, farmers who plant poppy will see their fields eradicated by the governor's police and the Poppy Eradication Force. Mangal recognizes that the carrots and sticks are both critical elements of success, that eliminating poppy from farmers who can grow nothing else does nothing to support the counter-insurgency and might even be counterproductive. In this case, despite significant resistance from Taliban and narco-interests, the public information and seed distribution phases in Helmand have gone well. Few if any farmers in the food zone can

claim they have not been offered assistance to shift to licit crops this season. Response from farmers in various parts of Helmand has been positive. Farmers and governors in Farah and Oruzgan have requested that similar initiatives be undertaken in their provinces.

Security and Governance

¶10. (SBU) We won't know until next year whether Helmand's food zones project will succeed in promoting alternative livelihoods. Project design and strong commitment from the governor bode well. The key variable and weakest link in the chain is Helmand's precarious security situation. Indeed, nationwide, security is probably the Achilles heel of alternative livelihood programs.

¶11. SBU) Nangarhar province offers a good example of how an adequate level of security and governance can help reduce poppy cultivation. "Security" in the Afghan context does not have to mean a completely permissive environment. In Nangarhar, where the local governor has exercised authority, economic development has occurred because a minimum level of security exists for governors and police to reach villagers in most, if not all, parts of the province. The environment is hardly "permissive"; both this year and last year,

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dozens of U.S. soldiers have died there. However, the governor's forces and development agencies do get around and conduct business, and in 2008 the province became virtually poppy-free. The risks for poppy farmers are great, and development opportunities in Nangarhar offer realistic alternatives. Poppy may still offer a per kilo price advantage over other cash crops, but farmers appear to have decided that it is simply not worth the risk of having the poppy confiscated and going to jail.

¶12. (SBU) Unfortunately, the insurgency's recent targeting of the contractors and NGOs that actually implement most development programs has slowed efforts supporting alternative livelihood programs. The COIN strategy of "clear, hold and build" is addressing the security problem, but current coalition and ANA troop numbers as yet do not permit the aggressive and long-term implementation of alternative development programs everywhere they are needed.

Lessons From What's Worked

¶13. (SBU) The differing past experiences of Nangarhar and Helmand show that alternative livelihood pursued in the absence of a certain level of security and the political will to suppress poppy cultivation will not succeed as a counter-narcotics measure. However, in Helmand and elsewhere in the poppy belt, major alternative livelihood and infrastructure projects are underway. These have the potential to anchor a prosperous licit agricultural economy if security and governance create an environment in which law enforcement can compel farmers to turn away from poppy cultivation. Only then can economic development give real sustainable alternatives to poppy.

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